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DE RUEHRO #2157/01 2131309  
ZNR UUUUU ZZH ZDS  
P 011309Z AUG 06  
FM AMEMBASSY ROME  
TO RUEHC/SECSTATE WASHDC PRIORITY 5511  
INFO RUEHDS/AMEMBASSY ADDIS ABABA PRIORITY 0726  
RUEHDJ/AMEMBASSY DJIBOUTI PRIORITY 0264  
RUEHNR/AMEMBASSY NAIROBI PRIORITY 1533  
RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 0325  
RUEHFL/AMCONSUL FLORENCE PRIORITY 1612  
RUEHMIL/AMCONSUL MILAN PRIORITY 7444  
RUEHNP/AMCONSUL NAPLES PRIORITY 1706  
RUEHBS/USEU BRUSSELS PRIORITY 4394  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

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SIPDIS

C O R R E C T E D C O P Y (INFORMATION PARAGRAPH 2)  
SENSITIVE  
SIPDIS

DEPT FOR EUR/WE, EUR/ERA, EB/IFD/ODF, AF/E  
USEU FOR PATRICIA LERNER

E.O. 12958: N/A

TAGS: [EAID](#) [ETRD](#) [SO](#) [SW](#) [IT](#)

SUBJECT: ITALY'S TRADE AND INVESTMENT RELATIONS WITH SOMALIA

REF: ROME 01870

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#### SUMMARY

¶1. The MFA reports Somalia remains a political priority for Italy (ref A), an assertion bolstered by Italy's providing over 21 million euro in foreign assistance in 2005-2006 and Italy's membership in the Somalia Contact Group. That said, aside from some foreign assistance, Italy's economic ties to its former colony are negligible. With total trade (exports and imports) of 1.52 million euro in the first quarter of 2006, Somalia is Italy's 182nd largest trading partner. End Summary.

#### Investment and Trade

¶2. Italian exports to Somalia in 2005 were concentrated in cereals (37.42%), vehicles (20.22%), and heavy equipment (13.03%), while imports from Somalia were comprised largely of leather goods, (72.90%). It is likely that additional Italian exports make their way to Somalia via Kenya and other bordering countries. The following figures do not/not reflect this transit trade.

Italian Trade with Somalia (2001-2006)  
(all figures in euros)

Year	Exports	Imports	Total Trade	Balance of Trade
2001	4,365,489	2,151,402	6,516,891	2,214,087
2002	7,948,663	1,816,595	9,765,257	6,132,067
2003	4,112,106	729,077	4,841,183	3,383,029
2004	4,634,152	128,630	4,762,782	4,505,522
2005	1,884,557	307,251	2,191,808	1,577,306

2005 (1Q)	1,003,980	97,444	1,101,424	906,536
2006 (1Q)	1,082,411	440,728	1,523,139	641,683

¶3. The Italian export insurance agency, SACE (Export-Import Bank equivalent), has 115 million euros in outstanding trade finance loans for Somalia. A SACE officials described these debts as "uncollectable."

¶4. There is no data available for Italian investments in Somalia.

#### Foreign Assistance

¶5. Italy's 2006 bilateral foreign assistance supports Somalia's Transitional Federal Government (TFG) with 3.5 million euro in emergency aid and logistics support, and the Intergovernmental Authority on Development (IGAD), a regional body attempting to broker peace in Somalia, with 250,000 euro. Italy also contributes two million euro to the UNDP to disseminate information on the peace process, and to provide 2.7 million euro to the UN's Department of Political Affairs, for peace process and political operations. Italy provided ten million euro to the European Union's Somalia Rehabilitation Program, to finance agriculture, health, and education initiatives over a six-year period (the fund reportedly totals 49 million euro). Italy has not donated to the United Nations 2006 Somalia Consolidated Appeal Process.

¶6. The MFA Overseas Development Cooperation (ODC) officer for Somalia, Giovanni Baticci, told EconOff July 14 that Italy would like to co-host a conference on Somalia with Sweden. However, he noted, the fighting between the Supreme

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Islamic Courts Council militia and warlords, and likely Ethiopian engagement to protect the TFG in Baidoa, had put plans for the conference (originally to be held at the end of 2006) on the back burner. Baticci said the GOI is awaiting the joint UN - World Bank Somalia assessment report, which should be available at the end of July. According to Baticci, the report will help guide future GOI assistance planning. Italy is a member of the Somalia Contact Group (ref A), formed in June 2006, to support dialogue and international engagement in Somalia.

#### Bank of Italy

¶7. The Bank of Italy (BOI) and the ODC historically provided technical assistance to the Central Bank of Somalia (CBS). The MFA's ODC paid transportation and logistics costs, while the BOI provided the technical expertise. However, since Somalia fired the CBS governor, the BOI has ceased its assistance, and no new funds have been allocated.

#### Comment

¶8. Although Italy has political and historic ties to Somalia, its economic interests there are negligible. While the MFA will continue focusing political attention on, and providing foreign assistance to, Somalia, trade and investment relations are likely to remain minimal, so long as the current situation in the failed African state continues.  
End Comment.  
SPOGLI